Personal Taxpayers Series
IR125

Inland Revenue

Using your own car or motor bike for work

We produce a wide range of leaflets, booklets and Helpsheets, each designed to explain a different aspect of your tax or National Insurance in plain English, to assist with the completion of tax returns. Most of them are free, and most are also available in Welsh. Some you might find useful are

CWL1	Starting your own business?
IR1	Extra-Statutory Concessions
IR34	PAYE. Pay As You Earn
IR56	Employed or self-employed? A guide for tax and National Insurance
IR90	Tax allowances and reliefs
IR119	Tax relief for vocational training
IR122	Volunteer drivers
IR176	Tax, National Insurance contributions and Green Travel

In addition, we have the following leaflets on Self Assessment.

SA/BK3	Self Assessment. A guide for keeping records for the self-employed
SA/BK4	Self Assessment. A general guide to keeping records
SA/BK6	Self Assessment. Penalties for late tax returns
SA/BK7	Self Assessment. Surcharge for late payment of tax
SA/BK8	Self Assessment. Your guide.

We have a full range of services for people with disabilities, including leaflets in Braille, audio and large print. For details, please ask your local Inland Revenue office or Enquiry Centre.

Our leaflet IR120 'You and the Inland Revenue' tells you more about the standard of service you can expect from us. It also tells you the steps you can take if you want to make any comments on the service you receive, or complain about the way your tax affairs have been handled.

Our IR List 'Catalogue of leaflets and booklets' gives further information about our publications, most of which you can get from any Inland Revenue Enquiry Centre, Tax Office or National Insurance Contributions Office. Addresses are in your local telephone book under 'Inland Revenue'. Most offices are open to the public from 8.30am to 4.30pm, Monday to Friday, and some are also open outside these hours.

Social Security Offices, your library or Citizens' Advice Bureau may have copies of our leaflets. You can also get most of our leaflets by

- calling our Orderline on **0845 9000 404** between 8.00am and 10.00pm, seven days a week (except Christmas Day)

- fax on **0845 9000 604**

- e-mail on **saorderline.ir@gtnet.gov.uk**

- writing to **PO Box 37**
  St Austell
  Cornwall
  PL25 5YN.

Many leaflets are also available on the Internet at **www.inlandrevenue.gov.uk**

When our offices are closed, you can get general advice on Self Assessment by calling our Helpline, in the evenings or at weekends, on **0845 9000 444**.

Helpline and Orderline calls are charged at local rates.

This leaflet is for employees who use their own car or motor bike when they travel on business (if you use a pedal cycle, ask your Tax Office for leaflet IR176 'Tax, National Insurance contributions and Green Travel').

It tells you

- how using your own car or motor bike for business travel affects your tax (page 2)
- about keeping records of allowances **and** business mileage (page 3)
- which journeys qualify as business travel (page 4)
- about taxable profit and tax relief (page 5)
- how to work out capital allowances (page 10)
- the information your employer will give you (page 21)
- what information you should give the Inland Revenue (page 24).

It also provides you with detailed examples and a number of work sheets to help you to calculate your own tax position.

If there is something we have not covered, or you are in doubt about anything in this guide, please contact any Inland Revenue Enquiry Centre or Tax Office. Details are in your phone book under 'Inland Revenue'.

Using your own car or motor bike for business travel

How does it affect my tax?

Most employees who use their own car or motor bike to travel on business are paid an allowance by their employer to cover some or all of the costs. It can be in the form of a lump sum or periodic payments, but usually the allowance is based on an amount per mile. You can get tax relief for the costs that your employer does not meet.

What if I am paid a mileage allowance?

If you are paid a mileage allowance, it is part of your income and is taxable to the extent that it exceeds your business travel costs.

To work out your tax position you need to know whether the allowances you have received from your employer are more or less than the costs of your business travel. If the allowances come to more than the costs, you have received a profit which is taxable. If the allowances come to less than the costs, you can get relief against your earnings on the difference.

What if I am not paid an allowance?

If you are not paid a mileage allowance, you can get relief against your earnings for your business travel costs.

Keeping a record of your allowances and business travel

To work out if the allowances you have received from your employer come to more or less than your business travel costs, you first need to know

- what allowances you were paid during the tax year (a tax year runs from 6 April in one year to 5 April in the next)
- your total business mileage during the year.

Your employer may give you this information, but not necessarily. It depends on whether your employer has agreed special reporting arrangements with us for allowances paid to employees (see pages 21-24).

What records do I need to keep?

It is important that you keep records of your allowances and business mileage so you can

- check your PAYE tax code
- complete a tax return fully and accurately, if you get one
- claim tax relief for travel expenses
- answer any enquiries from your Tax Office.

To help you, we have included a log sheet on page 25 which you can use to keep a record of your allowances and business mileage.

What journeys qualify as business travel?

Journeys that count as business travel for tax relief are

- those you **have to make** in the course of doing your job. For example, if you travel from your office to visit a client and use your own car or motor bike, you can get tax relief for your motoring costs, to the extent that your employer does not meet them, or

- those you make to or from a place you **have to attend** in order to do your job. For example, if you travel directly from home to visit a client, that is business travel, for which you can get tax relief (unless the journey is practically the same as your ordinary commuting journey, because the client's premises are just down the road from your office).

What journeys do not qualify as business travel?

You cannot get tax relief for

- **ordinary commuting** - travel between your home, or any other place you attend for personal reasons (such as the home of a friend or relative) and your usual workplace, or

- **private travel** - any other travel where the purpose is not for business.

If you are paid an allowance for any journey which is ordinary commuting or private travel, your employer should deduct tax from it. See our leaflet IR34 'PAYE. Pay As You Earn' for more information.

Taxable profit on allowances and tax relief on business travel costs

How do I work out if I have a taxable profit on my allowances or if I can get tax relief on my business travel costs?

There are two ways you can do it: **the simple method** or **the exact method**. The simple method will give you an approximate figure rather than an exact amount, but it will save you work.

The simple method
This method uses the Inland Revenue authorised mileage rates (see below) and can be used for cars from the tax year 1996-1997 onwards, and for motor bikes from 2000-2001 onwards.

If you use this method, you must keep a record of all your business miles and the allowances you receive.

Simply multiply the number of business miles you travelled in the tax year by the appropriate authorised mileage rates, which we publish each year. This gives you an amount which you can compare with the allowances you have received from your employer during the year.

The exact method
This method uses your actual motoring costs. You have to keep details of your actual travel costs during the tax year and a record of all your business **and** private mileage.

You can then work out the proportion of the costs that relate to your business travel and compare it with the allowances you have received from your employer during the year. If the allowances come to more than your business travel costs, you have received a taxable profit. If they come to less, you can get tax relief on the difference.

The Inland Revenue authorised mileage rates

Each year, around the beginning of December, we announce our authorised mileage rates for the following tax year, that is, from 6 April to the following 5 April.

For cars, the rates are estimates of the average motoring costs for a range of car engine sizes. For each car engine size there are two rates

- a higher rate for the first 4,000 business miles (even if you only use your car for part of the tax year), and

- a lower rate* for each business mile over 4,000 miles.

*The lower rates reflect the fact that some costs (road tax and insurance) do not increase with greater mileage. The higher the total mileage, the lower the cost per mile of running a car.

For motor bikes, there is a single authorised mileage rate, irrespective of engine size or mileage travelled.

For tax years 1999-2000 and 2000-2001 the authorised mileage rates are

Size of car engine	on the first 4,000 miles in the tax year	on each mile over 4,000 miles in the tax year
up to 1,000 cc	28p	17p
1,001-1,500 cc	35p	20p
1,501-2,000 cc	45p	25p
over 2,000 cc	63p	36p
Motor bikes (all sizes) (2000-2001 only)	24p	24p

Your Tax Office or local Inland Revenue Enquiry Centre will be able to tell you the rates for other tax years.

How do I work out the tax position on my business travel using the simple method?

You need to

- add up all the allowances you received from your employer during the tax year, **and**

- multiply the authorised mileage rate (or rates) for your car engine size, or for your motor bike, by the number of business miles you travelled in the tax year.

Remember that, for motor bikes you can only use this method for 2000-2001 onwards.

The following two examples show you how to calculate the tax position on business travel, using the simple method.

Example

Ann uses her own 1,800cc car for business travel. In the tax year 2000-2001 (6 April 2000 to 5 April 2001) Ann travels 5,000 miles on business. Her employer pays her 44p a mile for all her business miles.

Step 1

Total business miles travelled	5,000	

Step 2

Authorised mileage rates for this size of car are		
first 4,000 miles at 45p a mile	£1,800	
next 1,000 miles at 25p a mile	£ 250	
Total authorised mileage rates	**£2,050**	**(A)**

Step 3

Total car and mileage allowances received from employer		
5,000 at 44p per mile	**£2,200**	**(B)**
Difference between A and B	**£ 150**	**(C)**

Step 4

If B is bigger than A, C is the amount of taxable profit.
If A is bigger than B, C is the amount on which Ann can claim tax relief.

In this example, B is bigger than A, so Ann has to pay tax on the profit of £150 (C).

Example

Jack uses his own 1,200cc car for business travel. He is paid a mileage allowance of 30p a mile. Whenever he drives direct from home to a business appointment, away from his usual office, his employer does not pay for the first 20 miles that Jack would have driven if he had made his usual commuting journey.

In 2000-2001, Jack travels 6,000 miles on business, but his employer pays him a mileage allowance for only 4,800 miles so he receives £1,440 (4,800 x 30p). Jack's tax position is calculated as follows

Step 1

Total business miles travelled	6,000	

Step 2

First 4,000 business miles at	*35p a mile*	£1,400
Next 2,000 business miles at	*20p a mile*	£ 400
Total authorised mileage rates		**£1,800 (A)**

Step 3

Allowances received from employer 4,800 at 30p per mile	**£1,440 (B)**

Step 4

Difference between **A** and **B**	**£ 360 (C)**

In this example, A is bigger than B so Jack can claim tax relief on £360.

Work sheet - the simple method

Use this work sheet to calculate your tax position using the authorised mileage rates.

Step 1
Total business miles travelled ----------

Step 2
First 4,000 business miles at .....p ---------- £ ----------
Next ..... business miles at .....p ---------- £ ----------

Total authorised mileage rates £ ---------- **A**

Step 3
Allowances received from employer £ ---------- **B**

Step 4
Difference between A and B £ ---------- **C**

If **B** is bigger than **A**, **C** is the profit you have to pay tax on.
If **A** is bigger than **B**, **C** is the amount on which you can claim tax relief.

Remember
For motor bikes
- the simple method can only be used for 2000-2001 onwards, and

- you use the 24p rate for all your business mileage.

Page 24 explains what to do when you have worked out if there is a taxable profit or if you can claim tax relief on your business travel.

How do I work out the tax position on my business travel using the exact method?

You need to have details of

- the total allowances you have received from your employer during the tax year
- your actual travelling costs for the tax year, and
- a record of your total business and private mileage during the tax year.

You can then work out the proportion of the cost that relates to your business travel and compare it with the allowances you have received from your employer.

So, if the total allowances come to more than the business proportion of the costs, then you have received a profit, which is taxable. But, if the costs come to more than the allowances, you can get tax relief against your earnings for the difference.

What motoring or motor cycling costs should I include?

You should include costs for

- insurance
- road fund licence
- fuel and oil
- servicing and repairs
- depreciation (that is, the drop in value through age and use).

The allowance you can claim for depreciation is called a **capital allowance**. The first time you claim a capital allowance for your car or motor bike, the allowance is based on

- the amount you paid for it, if you bought it in the same tax year you started using it for business, or

- **the market value** (the price you might reasonably expect it to fetch in a sale on the open market), if you bought it in an earlier tax year.

The maximum allowance you can claim in the first year is 25% of the cost or market value, whichever is appropriate. In subsequent years, the allowance is again 25% of the value - that is, after deducting the capital allowance from the value at the end of the previous year.

So, the capital allowance on a car bought for £10,000 and used for business straight away is 25% (£2,500). The next year, the allowance is calculated on £7,500, the carried forward value from last year (£10,000 less £2,500), and you may claim 25% of this (£1,875). In the third year, the allowance is calculated on £5,625 (£7,500 less £1,875) and you can claim 25% of this (£1,406) and so on.

Capital allowance is restricted to

- a maximum of £3,000 a year

- the part of the year for which you held your job, if you only started it part way through the tax year, and

- the proportion that relates to your business travel.

The table on the next page shows how the capital allowance is calculated for two different cars, to show how the restrictions work. The calculations for motor bikes costing the same amount will be exactly the same.

			Unrestricted allowance	Allowance restricted to £3,000
Date started job			1 June 2000	1 June 2000
Cost of car or market value		**A**	£9,600	£13,600
			25% x £9,600=	25% x £13,600 = £3,400 (restricted)
Capital allowance 25% x A (restricted to a maximum of £3,000)		**B**	£2,400	£3,000
	1.6.00 to 5.4.01 = 10 months		10/12 x £2,400=	10/12 x £3,000 =
Capital allowance in the first year	**B** x proportion of tax year for which you had the job	**C**	£2,000	£2,500
			£9,600 - £2,000=	£13,600 - £2,500 =
Carried forward value at end of first year	**A minus C**	**D**	£7,600	£11,100
			25% x £7,600=	25% x £11,100 = (no restriction needed as less than £3,000)
Capital allowance in second year	25% x **D**	**E**	£1,900	£2,775
			£7,600 - £1,900=	£11,100 - £2,775 =
Carried forward value at end of second year	**D** minus **E**	**F**	£5,700	£8,325

This is continued for each further complete tax year during which the car or motor bike is used for work.

The following two examples show you how to calculate tax relief using the exact method.

Example - unrestricted allowance

Meg first uses her own car for business travel on 6 April 2000. Its market value on that day is £5,000. In tax year 2000-2001 Meg travels 12,500 miles, 2,500 of them on business. Her employer pays a mileage allowance of 30p a mile for all her business mileage.

Step 1

Total mileage allowances received		
2,500 miles at 30p a mile		**£ 750 (A)**

Step 2

Motoring costs for the year		
Insurance	£ 350	
Road fund licence	£ 155	
Fuel and oil	£1,200	
Servicing and repairs	£ 300	
	£2,005	
Capital allowance for the year is		
£5,000 x 25% = £1,250	£1,250	
(carry forward value for next year		
is £5,000 - £1,250 = £3,750)		
Total motoring costs for the year	**£ 3,255**	**(B)**

Step 3

Business miles travelled	2,500	**(C)**
Total miles travelled	12,500	**(D)**

Proportion of motoring costs relating to business travel for the year

2,500 **(C)** x £3,255 **(B)** = **£ 651 (E)**
12,500 **(D)**

Step 4

Difference between **A** and **E** **£ 99 (F)**

In this example, A is bigger than E so Meg will pay tax on the £99 profit.

Example - restricted allowance

Meg buys a new car costing £15,000, and her employer pays 40p a mile for the first 4,000 business miles travelled in any tax year. In 2000-2001 she travels 10,000 miles, 2,500 of them on business.

Step 1

Total mileage allowances received
2,500 miles at 40p a mile **£1,000 (A)**

Step 2

Motoring costs for the year	
Insurance	£ 400
Road fund licence	£ 155
Fuel and oil	£1,200
Servicing and repairs	£ 300
	£2,055
Capital allowance for the year is £15,000 x 25% = £3,750, but this must be restricted to £3,000 (carry forward value for next year is £15,000 - £3,000 = £12,000)	£3,000
Total motoring costs for the year	**£5,055** **(B)**

Step 3

Business miles travelled 2,500 **(C)**
Total miles travelled 10,000 **(D)**

Proportion of motoring costs relating to business travel
2,500 **(C)** / 10,000 **(D)** x £5,055 **(B)** = **£1,264 (E)**

Step 4

Difference between **A** and **E** **£ 264 (F)**

As E is bigger than A, Meg can claim tax relief on the difference of £264 (£1,264 - £1,000) against her earnings.

Work sheet - the exact method

You can use this work sheet to help you to calculate your total travel costs (business and private) during the tax year.

Step 1 £

Allowances received from your employer _____ A

£

Step 2

Travel costs for the year

Insurance _____

Road fund licence _____

Fuel and oil _____

Servicing and repairs _____

Capital allowance _____

Total travel costs for the year _____ B

Step 3

Business miles travelled _____ C

Total miles travelled _____ D

Proportion of costs relating to business travel

_____ C x _____ B _____ E

÷

_____ D

Step 4

Difference between **A** and **E** _____ F

If **A** is bigger than **E**, **F** is your taxable profit.
If **E** is bigger than **A**, **F** is the amount on which you can claim tax relief.

Page 24 explains what to do when you have worked out if there is a taxable profit or if you can claim tax relief on your business travel.

When you sell your car, or motor bike, or if you stop using it for work

Special rules apply for the year when the car or motor bike is sold, or when you stop using it for work.

What if I worked out the tax position on my business travel using the exact method?

If you have used the exact method of calculating actual motoring costs **in every year** that you have used your car or motor bike for work, you will need to calculate the difference between

- the disposal value (the sale proceeds or the value of the car or motor bike when you stopped using it for work), and
- the value for capital allowances at the start of the year (the original cost less the total capital allowances for earlier years - see page 11).

Balancing allowance and balancing charge

If the disposal value is **less**, the difference is called the **balancing allowance** and you can claim tax relief on the business proportion of it (averaged over the life of the car or motor bike). The £3,000 allowance limit does not apply in the year of sale.

If the disposal value is **more**, the difference is called the **balancing charge**. This time, the business portion (again, averaged over the life of the car or motor bike) is added to your taxable pay for the year.

So, the balancing allowance and charge for a car that has been used for business for half of the time (averaged over its life) are

Disposal value	Value for capital allowances at the start of the year	Difference	Balancing allowance or charge (for the business proportion of the cars life)
£4,000	£5,000	£1,000	Balancing allowance is £1,000 x 50% = £500 for which you can claim relief
£6,000	£4,000	£2,000	Balancing charge is £2,000 x 50% = £1,000 to be added to your taxable pay for the year

If you originally bought your car or motor bike from someone you are connected to, such as a relative, special rules apply when you sell it. Your local Tax Office or any Inland Revenue Enquiry Centre will be able to give you more details.

What happens if I did not always work out the tax position on my business travel using the exact method?

If you have not used the exact method of calculating your actual travel costs in every year, because you sometimes used the simple method described on page 6, the balancing allowance for the final year (but not the balancing charge) must be multiplied by the fraction X/Y where

- X is the number of years when you used the exact method, and
- Y is the total number of years that you used the car or motor bike for work.

The following example shows you what to do when the car or motor bike is sold, or when you stop using it for work, and you have not used the exact method every year.

Example
Meg sells her car for £5,000. It has a carried forward value for capital allowances of £7,000. Mileage travelled and employer payments are the same as the example on page 14.

In this example, the car was used for business in five tax years, but the exact method was only used to calculate relief in two tax years. The balancing allowance of £ 2,000 is multiplied by X/Y (see above), where X is the number of tax years the exact method was used and Y is the total number of tax years in which the car was used for business.

Step 1
Total mileage allowances received
2,500 miles at 40p a mile **£ 1,000 (A)**

Step 2
Motoring costs for the year

Insurance	£ 400
Road fund licence	£ 155
Fuel and oil	£1,200
Servicing and repairs	£ 300
	£2,055

Capital allowance			
Carried forward value	£ 7,000		
Disposal value	£ 5,000		
Balancing allowance	£ 2,000		
2 **(X)** x 2,000		£ 800	
5 **(Y)**			
Total motoring costs for the year		**£ 2,855**	**(B)**
Step 3			
Business miles travelled	2,500		**(C)**
Total miles travelled	10,000		**(D)**
Proportion of motoring costs relating to business travel			
2,500 **(C)** x £2,855 **(B)**			**£ 714 (E)**
10,000 **(D)**			
Step 4			
Difference between **A** and **E**			**£ 286 (F)**

As A is bigger than E, Meg will pay tax on the £286 profit.

Claims for tax relief

What records do I need to support a claim for tax relief?

If you are going to claim using the simple method (see page 6), you will need to keep records of your business mileage for the year and the mileage allowances you were paid by your employer. You can use the log-sheet on page 25 to record this information.

To claim relief using the exact method (see page 10), you will also need to know your total (business and private) mileage for the year and be able to show what you have paid out. So, you will need to keep receipts of all your motoring or motor cycling costs.

There may be occasions when you do not get a bill or receipt, especially where the amounts are small. If this happens, you should make a brief note of the amount you spent, when you spent it and what it was for.

If you do get a receipt or other evidence, you may have to give it to your employer when you put in your claim for reimbursement. You should also keep details of these expenses.

Can I get relief for the costs of cleaning my car or motor bike?

No.

Do authorised rates include any allowances for loan or hire purchase interest?

No.

Can I get separate tax relief for loan interest to buy my car or motor bike?

If you take out a loan to buy a car or motor bike that you use for business travel, you can get tax relief for some of the interest you pay. In the same way as for your travel costs, you can get tax relief for the proportion of interest relating to your business travel. So, if you drive 20,000 miles in the tax year, of which, 5,000 were on business, you can get tax relief for a quarter of the interest.

You can get relief for the year in which you took out the loan and the following three tax years. If you took out the loan in January 2000, you can get tax relief for the years 1999-2000, 2000-2001, 2001-2002 and 2002-2003.

If you buy a car or motor bike under a hire purchase agreement the position is slightly different. You can get tax relief for the part of your instalments that is equivalent to interest. Relief is available for the whole of the period the agreement runs.

Whether you buy your car or motor bike with a loan or by hire purchase, you can **only include the interest part** of what you pay when you make your claim for tax relief. You cannot include the repayment part of the loan or hire purchase instalments.

You can make a claim for tax relief by entering the amount you wish to claim in box 1.32 of your tax return, or on the Expenses Claim form P87, which you can get from any Tax Office.

Can I get help towards the cost of travelling to a training course?

If your employer pays, or reimburses you, for travel to work-related training, or training which you undertake as the holder of an Individual Learning Account[1], you will not have to pay tax on the amount paid or reimbursed. But, you cannot get relief for any part of the cost of travel that exceeds the amount paid or reimbursed by your employer.

Work-related training does not include any training you receive as a reward or inducement. For example, you cannot claim the costs of travelling to a conference in Paris if it is your reward for being one of the top ten sales persons.

1 This includes education or training which qualifies for support under Section 105 of the Learning and Skills Act 2000, or under Section 2 of the Education and Training (Scotland) Act 2000.

Reporting Information

What information will my employer give me?

It depends whether your employer has agreed special reporting arrangements with the Inland Revenue for allowances paid to employees.

What happens if there are no special arrangements?

Your employer will

- report the full amount of any allowances paid to you over the course of the tax year to us, and
- give you details of what has been reported (or let you have a copy of th P11D report form) by 6 July after the end of the tax year. This information shows
  - the total amount of the allowances paid to you
  - the amount (if any) from which tax has been deducted (for example, tax deducted from any allowance paid for private journeys)
  - the difference, which may be taxable or on which you may be able to claim relief for your business travel costs.

Use the work sheets in this leaflet (on pages 9, 15 and 25) to help you calculate the amount of taxable profit or tax relief you can claim for the tax year.

What happens if my employer has agreed special arrangements with the Inland Revenue?

There are three types of special arrangement, these are

- a dispensation
- a Fixed Profit Car Scheme (FPCS)
- a Car Allowances Enhanced Reporting Scheme (CAERS).

Your employer will be able to tell you if any of them applies to you.

Your employer has a dispensation
If your employer pays you an allowance for business mileage at a rate which is the same or less than our authorised mileage rate, we may have issued a dispensation.

This means that, because there is no tax to pay on the allowances (as the amount is less than our authorised mileage rates), your employer does not have to report details to us, or to you. Likewise, you do not have to include the allowances in your tax return, if you get one.

However, you can still get tax relief if the mileage allowances you receive amount to less than your actual business motoring costs for the year.

Example
Michael has a 1400cc car. His employer pays him an allowance of 30p per mile for the first 4,000 business miles and 19p a mile above 4,000 business miles. These are less than our authorised mileage rates for that car engine size (see the table on page 6). His employer has a dispensation covering the payments.

Michael's records show that he travelled 2,000 business miles during the year and received £600 (2,000 miles at 30p a mile) from his employer.

Michael can claim tax relief as his business motoring costs for the year came to more than his mileage allowances. As explained on page 5 Michael can choose how to work out his motoring costs in order to compare them with his mileage allowances. He can either

- use the simple method (see page 6). This would give a figure of £700 (2,000 miles at 35p per mile). Deducting the £600 mileage allowances he received, Michael could claim relief on the difference of £100, or

- use the exact method (see page 10). He has to keep records of his actual motoring costs and work out his business motoring costs for the year. Relief could be claimed if the costs are more than the £600 allowances that he was paid for his business travel.

Your employer operates a Fixed Profit Car Scheme (FPCS)
A Fixed Profit Car Scheme (FPCS) is a special reporting arrangement that employers can use if they pay car or mileage allowances at a higher level than our authorised mileage rates. This arrangement does not apply to motor bikes.

An employer who operates an FPCS will give us the necessary details, so we can review your tax liability for the preceding tax year and make any necessary adjustments to the estimate in your current year's PAYE tax code.

By 6 July after the end of the tax year, your employer will give you details of

- the amount reported to us under the FPCS, **or**
- the total amount of car or mileage allowance paid to you in the year for your business travel, **and** the total number of business miles for which the allowances were paid.

Remember, the information your employer has reported under FPCS relates to the mileage allowances you have been paid, which may not cover **all** your business mileage. See the example of Jack on page 8.

If you are happy with the figure, you do not need to do anything other than include it in box 1.15 of your tax return, if you get one.

Otherwise, you can use either our authorised mileage rates for the engine size of your car (the simple method), or your actual motoring costs (the exact method) to work out your business motoring costs for the year, and use that figure on your tax return instead.

Your employer operates a Car Allowances Enhanced Reporting Scheme (CAERS)

The Car Allowances Enhanced Reporting Scheme (CAERS) is also for employers who pay higher mileage allowances than our authorised mileage rates. Under CAERS, the figure that your employer reports to us takes account of all your business mileage, including any for which you were not paid an allowance. Like the FPCS, the CAERS does not apply to motor bikes.

In effect, your employer works out if there is a taxable profit on your mileage allowances, or tax relief due for your business motoring costs, for you (see the examples of Ann and Jack on pages 7 and 8). We will use the information provided by your employer to

- review your tax liability for the preceding tax year, and
- make any adjustment needed to the estimate in your current year's PAYE tax code.

By 6 July after the end of the tax year, your employer will give you details of

- the amount of taxable profit or tax relief for business motoring costs reported us (which you will be able to check against your PAYE tax code)

- the total amount of car or mileage allowance paid to you in the year for your business travel, and

- your total business mileage for the year.

If you are happy with the figure reported under CAERS, you do not need to do anything other than enter it in your tax return, if you get one. If it is a taxable profit enter it in box 1.15; otherwise, enter it in box 1.32.

Even if your employer operates CAERS, you can still work out your tax position using the exact method and use that figure on your tax return instead.

What information should I give the Inland Revenue?

It depends on whether or not you get a tax return.

If you receive a tax return
Using this leaflet, you should decide which method you want to use to work out if you have a taxable profit on your allowances or if you can get relief for your business travel costs. You can then enter the total in box 1.15 or 1.32 of your tax return, whichever is appropriate.

If you do not receive a tax return
Your employer normally tells us what allowances you were paid in the tax year, and we will usually collect any tax that is due through your PAYE tax code.

However, if you think you should get tax relief, send us your calculation using either the simple or the exact method, or ask for the Expenses Claim form P87.

Business mileage/mileage allowances log sheet

You can use this log sheet to keep a record of your business mileage for the year and the mileage allowances you are paid by your employer.

Date of business journey	Journey details	Total business miles	Mileage allowances received

Remember, if you claim relief for your actual travel costs, rather than using our authorised mileage rates, you will need to keep receipts for all your travel costs.

Our service commitment to you

The Inland Revenue and Customs & Excise are committed to serving your needs well by

acting fairly and impartially

We

- treat your affairs in strict confidence, within the law
- want you to pay or receive only the right amount due.

communicating effectively with you

We aim to provide

- clear and simple forms and guidance
- accurate and complete information in a helpful and appropriate way.

providing good quality service

We aim to

- handle your affairs promptly and accurately
- be accessible in ways that are convenient to you
- keep your costs to the minimum necessary
- take reasonable steps to meet special needs
- be courteous and professional.

taking responsibility for our service

- We publish annually our customer service aims and achievements.
- If you wish to comment, or make a complaint, we want to hear from you so we can improve our service. We advise you how to do this.

We can provide better service if you help us by

- keeping accurate and up to date records
- letting us know if your personal/business circumstances change
- giving us correct and complete information when we ask for it
- paying on time what you should pay.

Further information on customer service is available at Inland Revenue and Customs and Excise local offices, set out in our Charters, complaints leaflets (IR120 and Notice 1000) and Codes of Practice.

These notes are for guidance only and reflect the tax position at the time of writing.
They do not affect your right of appeal.

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